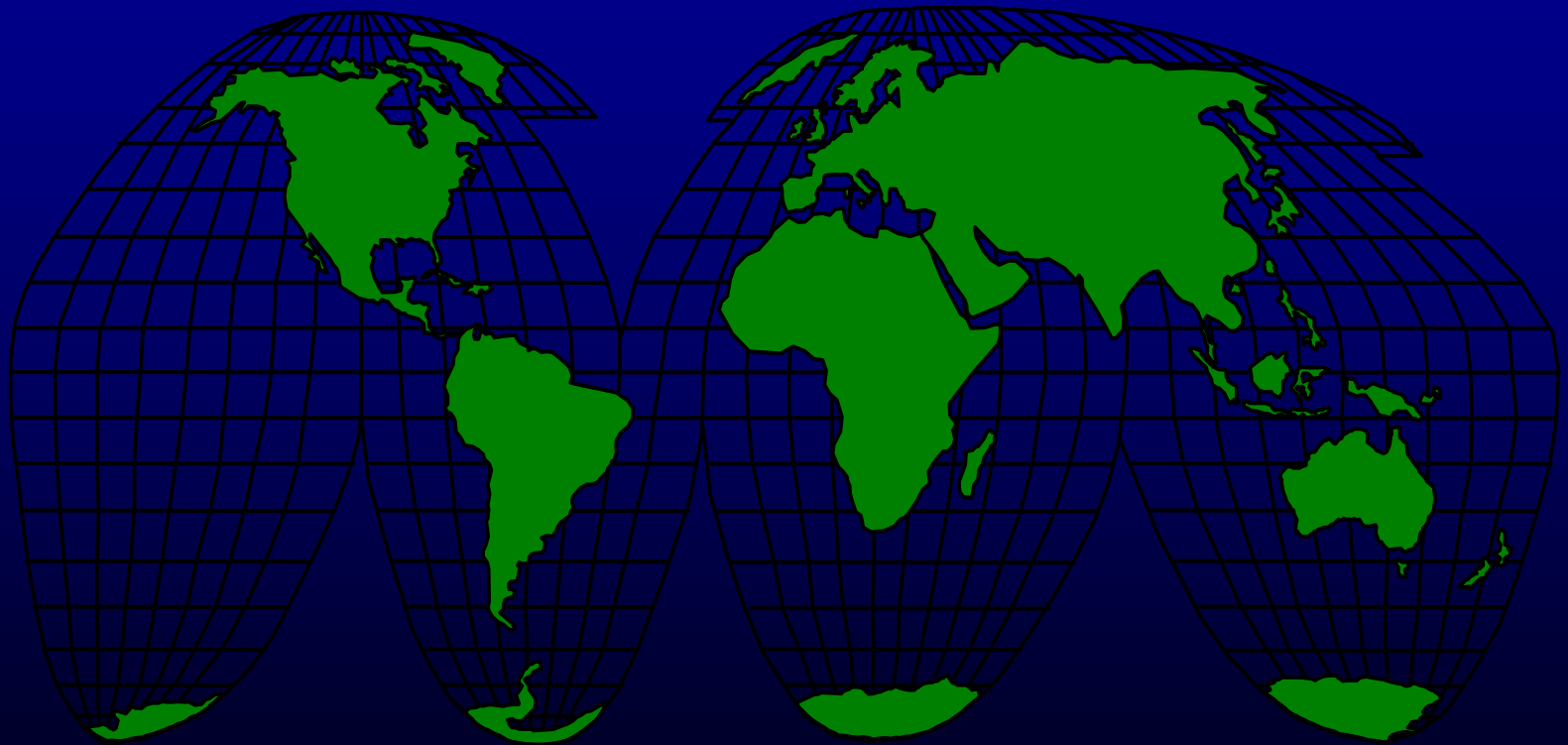


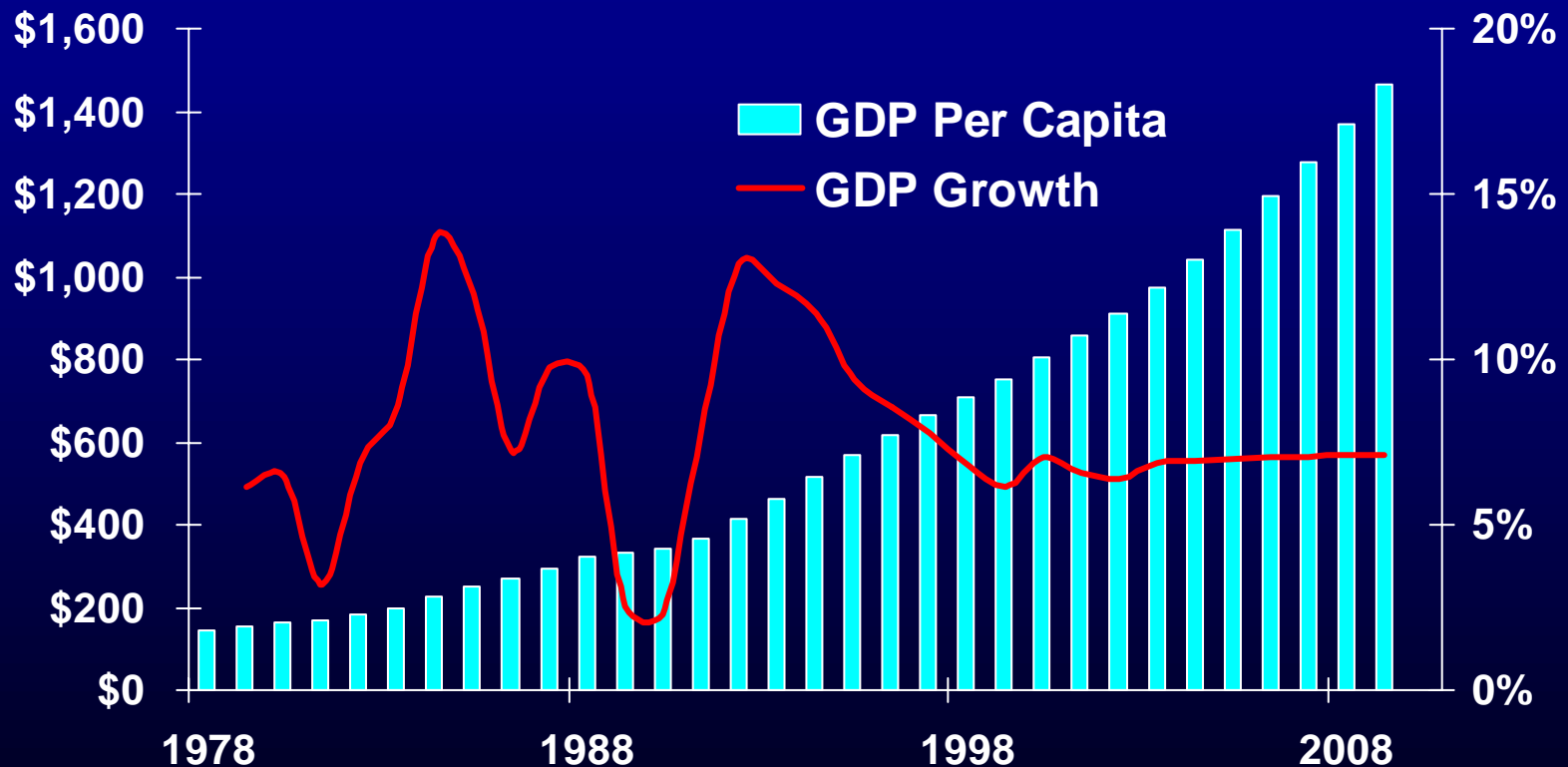
China's Accession to the WTO: Implications for US Agricultural Exports



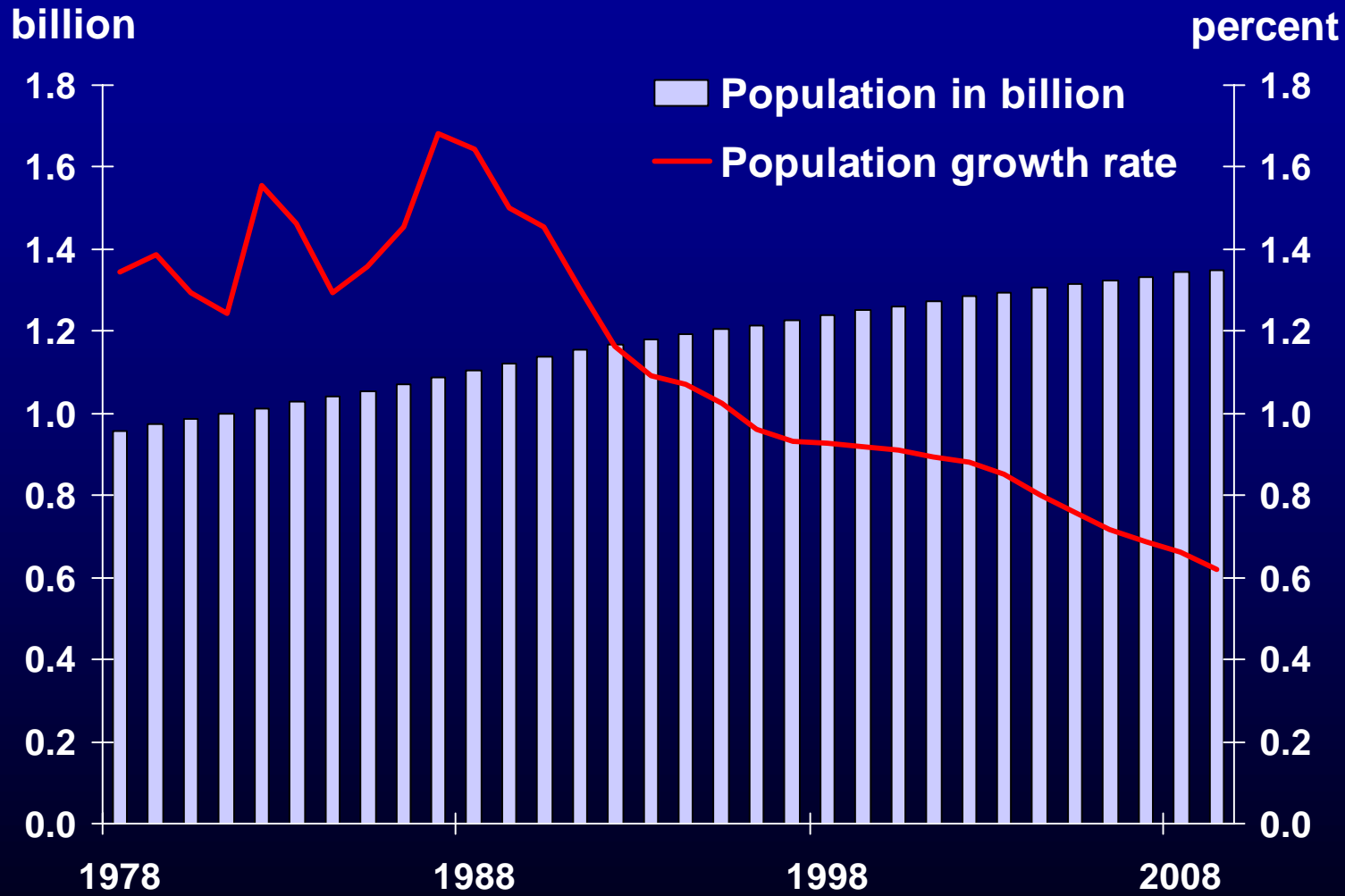
Why the Focus on China?

- China is the world's largest agricultural economy
- China's economy and agriculture are in transition
- China's economy continues to grow at an unprecedented rate

China's Real Per Capita Income, Unprecedented Growth



China's Population



China's Accession to WTO

- Most recent step on a path of economic liberalization
- Accession leads to modest short term gains
- Most benefits will be realized years down the road
- Must be seen in the context of China's broader development and transition

U.S.-China Bilateral WTO Agreement

- China will implement a system of tariff-rate quotas (TRQs) for bulk commodities
- China will cut tariff rates from an average of 22 percent to 17.5 percent (by January 2004)
- China will eliminate non-quota trade restrictions
- China will eliminate export subsidies
- China will limit domestic support

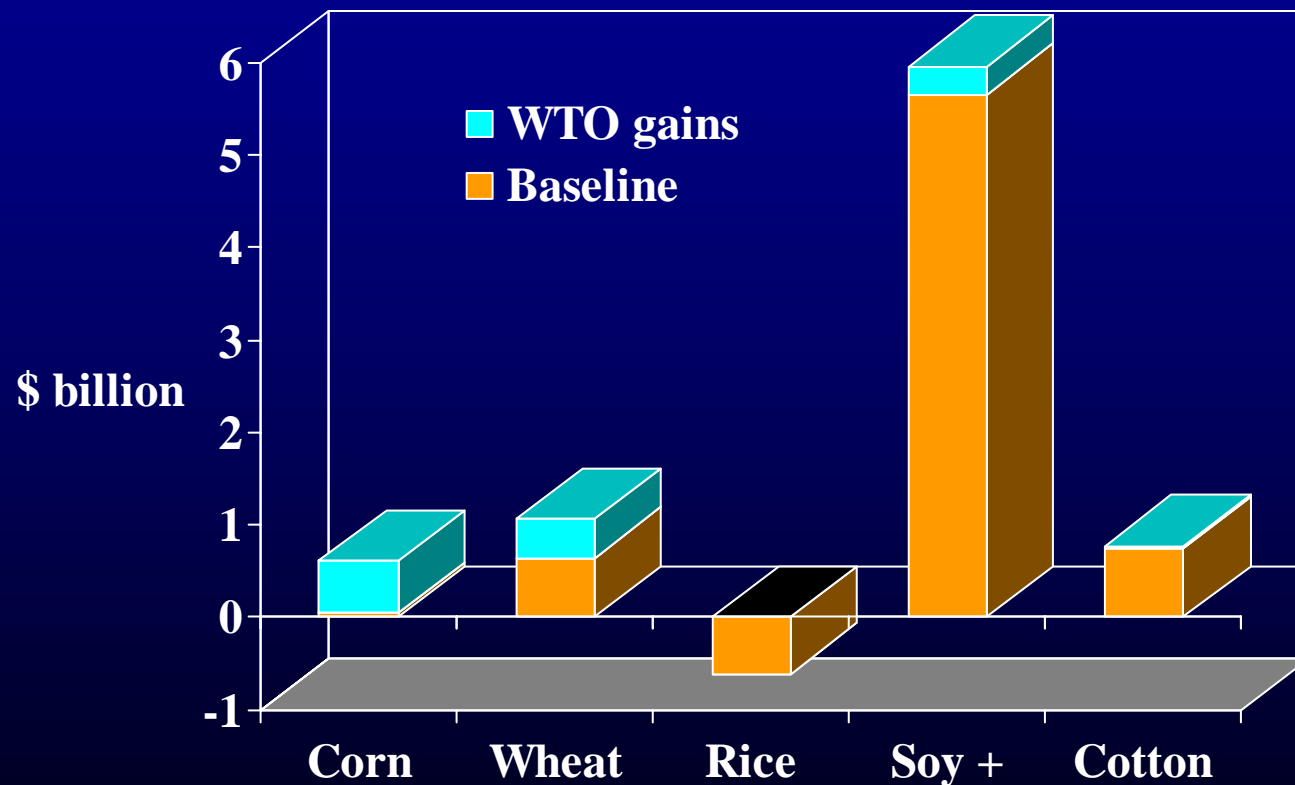
China's Tariff-Rate Quota System

- TRQs replace quotas and are transparent
- TRQ levels are large - quotas exceed USDA baseline trade projections
- TRQ system will provide market discipline for state trading companies
 - non-state trading companies receive a share of the TRQ
- TRQs will “liberalize” over time - in most cases, TRQ levels rise, over-quota tariffs fall and non-state trader shares rise

Critical Assumptions

- General economic and policy assumptions as in current USDA baseline
- Analysis focused on TRQ commodities
- GDP growth impact from WTO accession is a sustained increase in GDP growth rate of 0.2 percent.
- State trading is modeled as less responsive to international prices as compared to non-state trading firms.

Under WTO Value of China's Net Imports Increases



Gains to U.S. Agricultural Sector

- The U.S. gains from China's accession come in two forms:
 - Increased volume of exports
 - Higher world prices
- Annual increase in the value of U.S. exports of major commodities* averages \$0.9 billion over 2002-2009

*wheat, rice, corn, soy complex and cotton

U.S. Farm Income Changes

- Annual U.S. net farm income averages \$800 million higher over the period 2002-2009
 - Higher prices and increased crop sales mean higher cash receipts
 - crops \$1 billion
 - livestock \$1 billion
 - Partially offset by
 - Lower government payments
 - higher farm production expenses

Other Markets After Accession

- Lower tariffs for livestock, horticultural and other high value products
- Export opportunities or
- Competition?



Implementation Issues

- TRQs
 - Quota allocation
 - administration
- GMO labeling
 - critical to soybean complex

Long Term Gains Depend on China's Ability to:

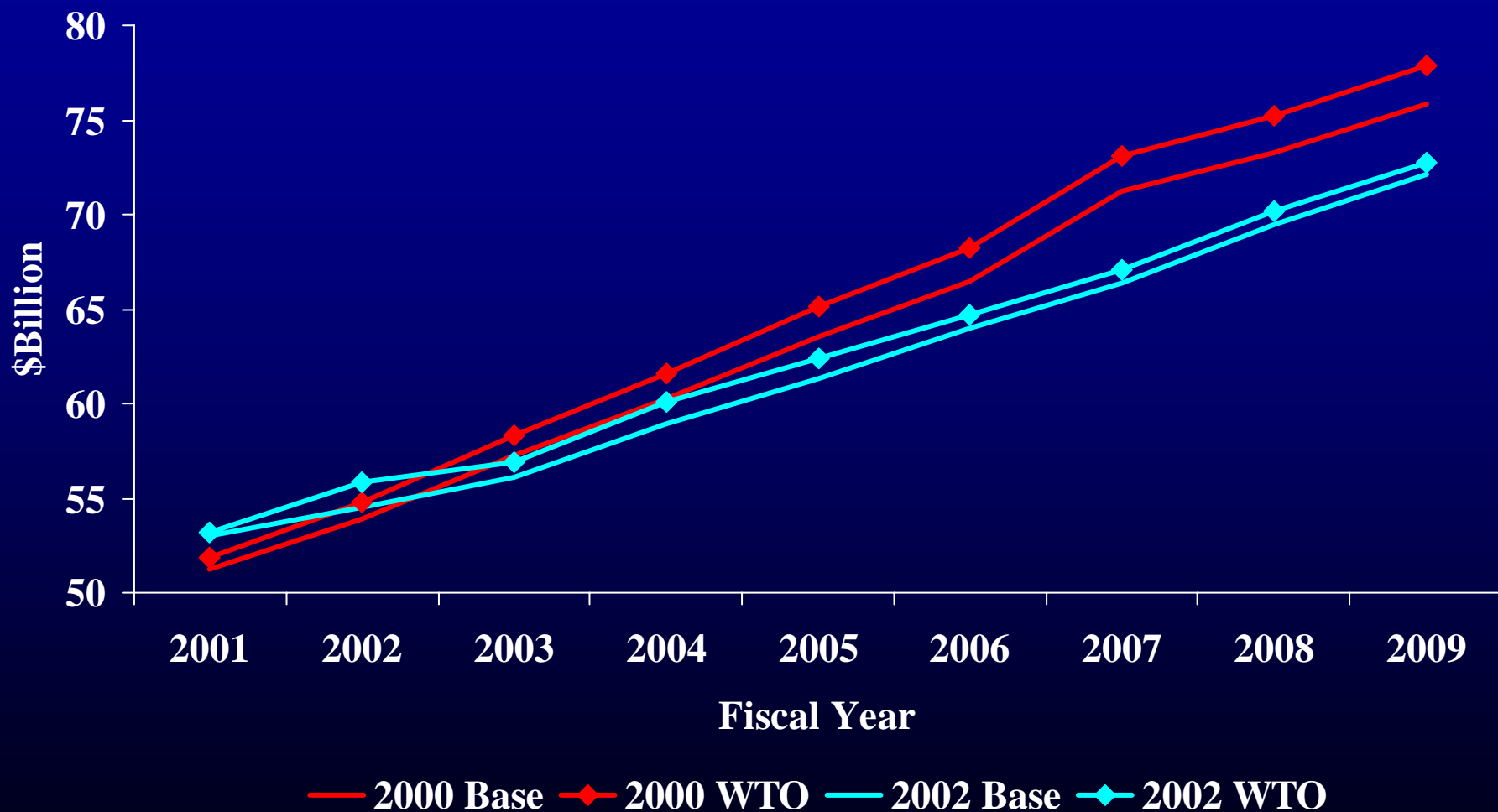
- Continue transition to a market economy
 - restructuring production based on comparative advantage
- Develop its infrastructure
 - physical (transportation)
 - institutional



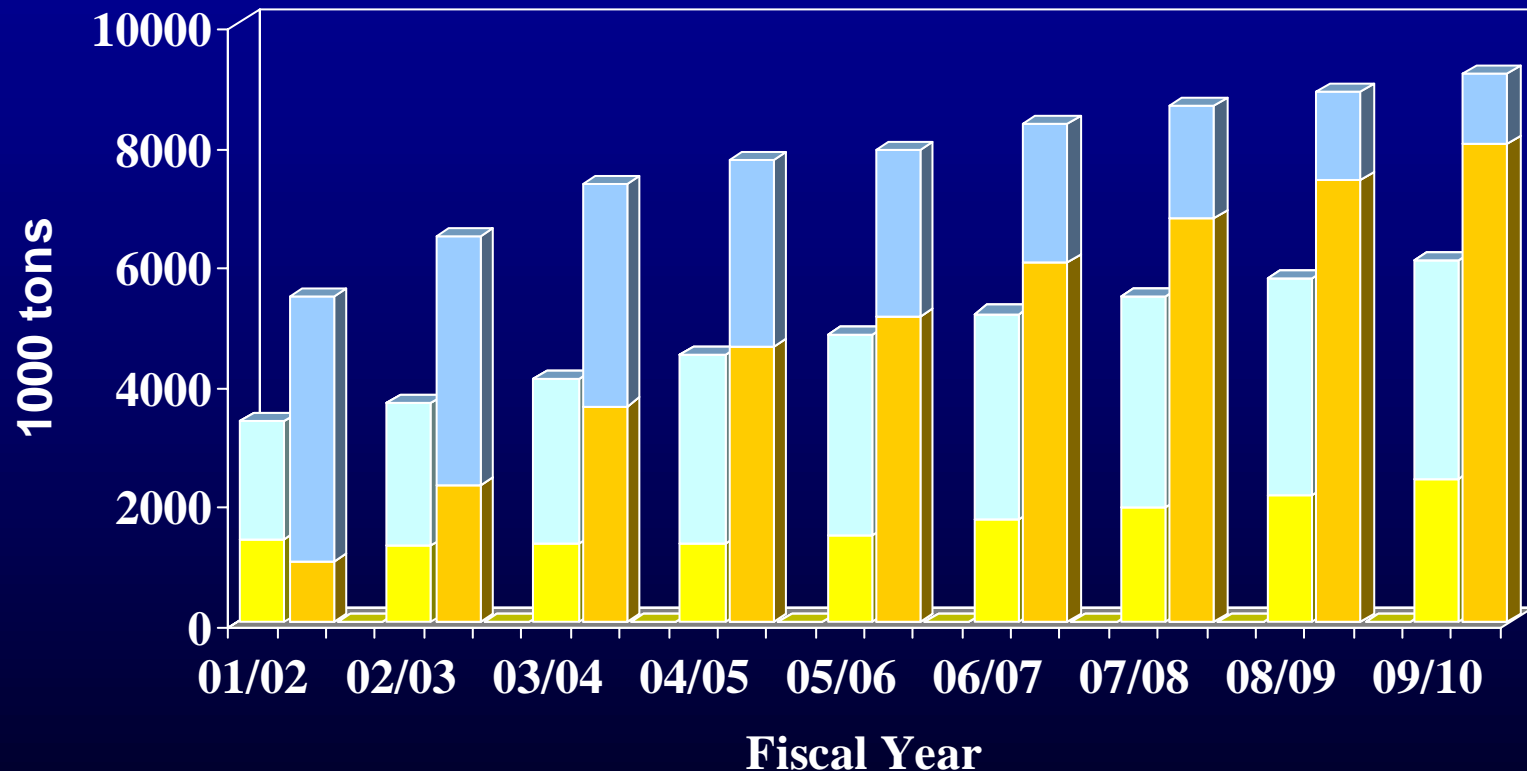
For more information....
www.ers.usda.gov



Value of U.S. Agricultural Exports



China Wheat Imports: WTO Scenarios Comparison of 2000 and 2002 Analysis



■ Base 2000 ■ WTO 2000 ■ Base 2002 ■ WTO 2002